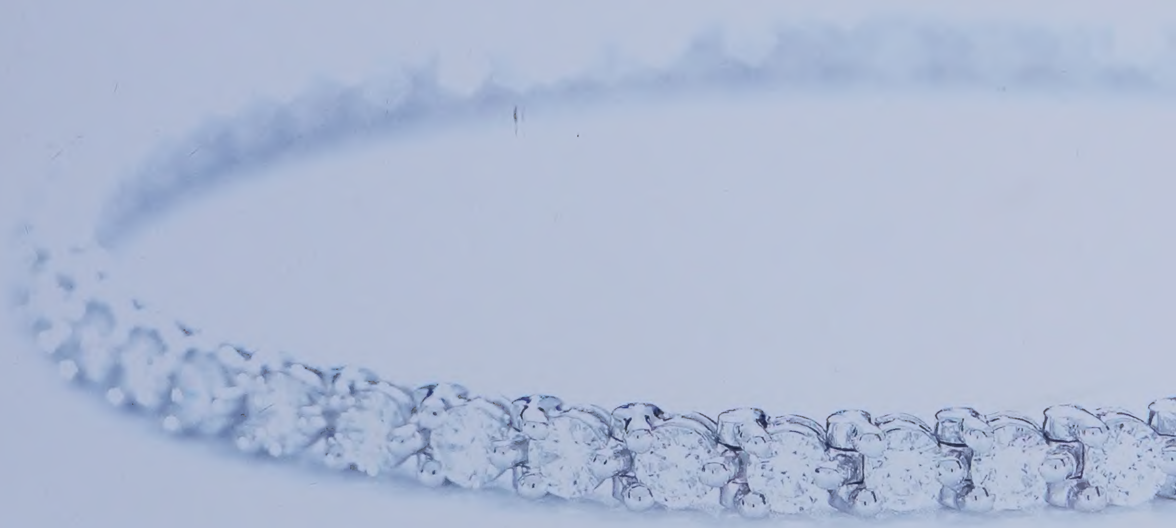


round...

aber diamond corporation

2001/2002 annual report

princess...

baguette...

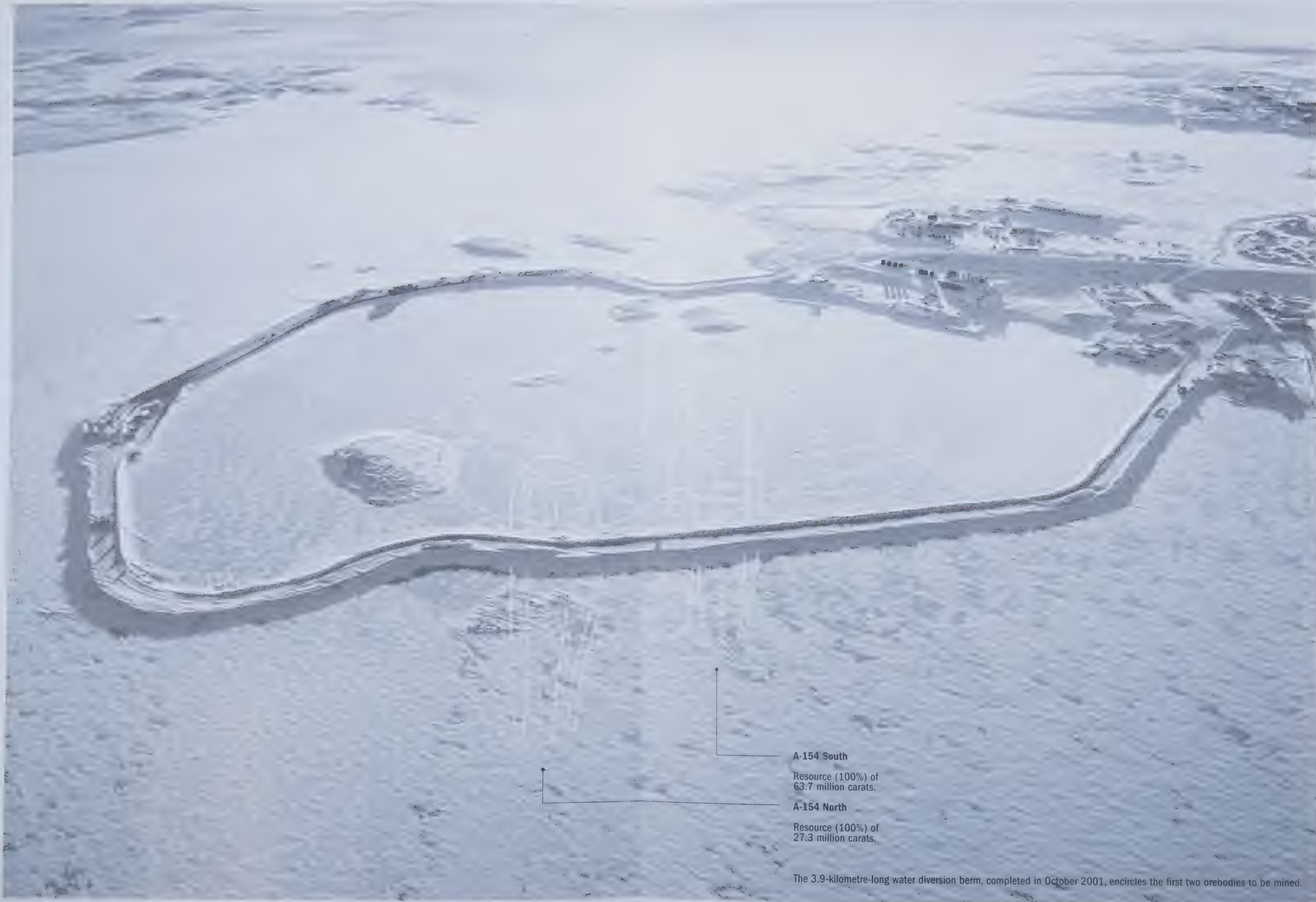
pear…

the shape of things to come.

We enter this 2002 calendar year from a very different perspective.

In a changing diamond world, Aber remains a pure equity interest in a uniquely profitable diamond orebody. Capitalizing on enhanced marketing opportunities.

Redefining the value chain.



The 3.9-kilometre-long water diversion berm, completed in October 2001, encircles the first two orebodies to be mined.

In a changing diamond world, Aber remains a pure equity interest in a uniquely profitable diamond orebody. Capitalizing on [illegible]

Redefining the value chain.

letter to shareholders

The year 2001 has been marked for all time as a year of dramatic challenges for the economic and political institutions of the world in general and the United States, the backbone of the world's diamond trade, in particular. The fact that the US diamond industry, centred in Manhattan, has been able to transcend the rapid decline of high tech equities, compounded by the mayhem of the September terrorist attacks, is a testament to the resilience of both the US economy and the role of diamonds within it.

Aber has seen a prolonged development of the Diavik Diamonds Project evolve towards a successful and rewarding conclusion. We began the construction phase of the Project in 2000, facing the problem of a time-dependent winter road mobilization in conflict with obtaining permits that would allow the Project to proceed. In 2001, we launched the largest mobilization of construction supplies and equipment ever undertaken over the Northwest Territories winter road system. This was comfortably accomplished despite delay caused by an unseasonably mild early winter.

With our partner and project manager, Rio Tinto, having shifted the construction of the Diavik Project into high gear, Aber faced the challenge of keeping pace with the expenditure implied by its 40% participating interest without incurring punitive dilution. Aber's ability to achieve this was crucially assisted by the decision to sell its minority interest in the Snap Lake Project to De Beers, the owner of the majority interest, for $173 million. This raised our equity contribution to a level that could support a financing for the balance of our share of the Diavik Project capital budget. Although reluctant to sell our interest in such a promising project as Snap Lake, led by the expertise of De Beers, we could not have sustained the expenditure levels on both projects.

By the middle of 2001, our bank financing effort, begun in April of 2000, had become the priority of our entire management team together with our financial advisors, N M Rothschild & Sons. The debt financing of a minority joint venture interest in a diamond mine in the remoteness of the Barren Lands of the Western Arctic, involving dike construction to access the orebodies, was a considerable challenge that tested creativity and resolve on all sides. The impact of the September terrorism at the stage of finalizing the bank syndicate, and the resolution

The Diavik Project ore reserve is a premium asset in a premium sector of the mining industry.

of issues such as insurance coverage, added to the complexity of the process. It is a credit to the banking syndicate that we were able to overcome this disruption with only a minimal delay.

By the end of October, the water diversion dike earthworks, the principal construction risk of the project development, had been completed and a syndication agreement had been concluded with the banks in early November. Institutional investors gained confidence and understanding of the compelling economic opportunity that Aber represents in an environment of renewed interest in a solid resource investment with unique exposure to both the diamond market and ore reserve upside potential.

We enter this 2002 calendar year from a very different perspective than 2001. The diamond market, led by the dominant US sector, has recovered from the uncertainties of last year in a manner that has exceeded the most optimistic projections of industry analysts. We have concluded the debt transaction, providing Aber with a facility of US$230 million at a time of historically low interest rates. At time of writing, the construction of the Project is approximately 75% complete, with the significant construction risks already behind us and the winter road re-supply, which concludes the construction requirements, successfully completed. The Project is within both budget and timeline to achieve a formal start-up in the spring of 2003 under the auspices of a committed management team who continually seek improvements to both cost and timing targets.

With the financing task now behind us, we have expanded our own management team to include a Director of Security, a Controller and two Technical Directors in support of diamond sales. John Lamacraft, who had assisted in an executive role throughout the financing process, has now become non-executive Chairman of Aber. We thank John for his contribution.

We now focus on the supervision of our diamond product at the various stages between the mine and the marketplace. This involves intricate security and auditing systems as well as the management of physical facilities in Yellowknife, Toronto and Antwerp. This will enable us to sequentially sort the diamond production into sizes and qualities and assemble them into sales parcels for various segments of the downstream industry. We are also alert to opportunities for value enhancement beyond the sale of diamonds as a mine product.

The Diavik Project ore reserve is a premium asset in a premium sector of the mining industry. Aber has created partnerships and alliances to deliver the maximum value from its 40% share of this extraordinary resource. We may now confidently anticipate playing a full and expanding role in this captivating and rewarding industry as the world's largest publicly traded diamond company.

Thank you for your continued support.

Robert A. Gannicott
President & Chief Executive Officer

April 24, 2002

diamond market review

In many different ways, 2001 was a challenging year for the world diamond market. Following one of the most successful years in the market's history, 2001 almost immediately saw diamond jewelry demand slow as fear of recession took hold in the US. Although prices in the rough diamond market showed momentum through the first quarter, and likely peaked in April, by mid-year high levels of debt and polished inventory were causing concern throughout the diamond pipeline.

This concern was amplified by the continued prominence of issues new to the diamond industry, such as branding and conflict diamonds. Further, in an evolving industry moving towards contractual relationships between market segments, 2001 saw De Beers introduce new client relationships through its Supplier of Choice strategy, thereby affirming its intention to withdraw from its traditional role as market custodian. By mid-year, De Beers had reported sales of US$2.6 billion of rough, well on its way to its announced year-end target of US$4.8 billion and continuing, albeit at a slower rate, its de-stocking policy begun two years earlier. These changes, although inevitable, compounded the uncertainty felt in the market centres.

The second half of the year showed that a threshold had been passed. US retailer mid-year comparable-store results were down from the previous year, in some cases by double digits. Faced with reluctant customers, many retailers were making only selective purchases of polished diamonds, sometimes on a client-by-client basis, and polished inventory was building in the manufacturing centres. The problems were particularly acute in Japan, where the longer-term malaise in the Japanese economy has produced a highly specialized market, focused on highest colour, highest quality small stones.

The impact of this backlog of inventory in the diamond pipeline was soon felt in the rough market. With some exceptions, producers at first held prices steady, exposing rough diamond dealers to flat margins. Despite the poor demand, polished prices remained surprisingly strong, and many dealer-manufacturers chose to polish their rough supply, further accentuating the inventory build-up. Eventually De Beers, rather than reduce their rough prices, chose to reduce supply in their sight boxes and initiated deferred producer quotas at mine-sites. Second half reported sales were US$1.85 billion for a year-end result of US$4.45 billion. Their intervention was welcomed. Other producers responded, with controlled re-pricing, cancelled sales, or sales parcels re-assorted so as to be more attractive to clients.

The September 11 tragedy occurred within this climate of market retrenchment. Aside from immediate issues of direct business interruption, many members of the diamond community in New York were personally affected. The sense of pessimism in the markets deepened.

Nevertheless, the segmented and cyclical nature of the diamond industry was again demonstrated in the fourth quarter. Throughout the preceding months, polished demand had faltered most in the commercial and less expensive items. Large, better colour and clarity pieces with superior manufacturing quality remained in strong demand, as US consumers continued to exercise their increasing appetite for better quality items. Rough prices in the corresponding items likewise stayed strong. In the months following the tragedy, consumers again turned to the diamond as a memento of special significance during important events in their lives, and the 2001 Christmas period, while not record breaking, was much better than might have been expected in the wake of September 11. In the end, overall annual diamond jewelry sales in the US were down only 1% compared to 2000, and up 4% compared to 1999.

With the retailers' stocks kept low entering the Christmas period, the additional demand provided immediate relief on the polished stocks at the manufacturing centres, and the accompanying increase in liquidity brought buyers back to the rough markets. The Antwerp and Tel Aviv markets in January and February were described as "hot", and were fuelled further by a price reduction and supply increase by De Beers. Rough prices more than recovered their declines of the previous months, benefiting the independent producers and rough dealers. At time of writing, the diamond market is returning to a welcome state of equilibrium, as goods move more freely through the pipeline and as polished demand shows signs of following the US economy out of recession.

It has always been Aber's policy to review the diamond market from the perspective of our rough product, high colour, non-fluorescent goods, and from the perspective of its expected final destination, the US and Japanese markets. While the Japanese market continues to cause concern, with diamond jewelry sales down 13%, 2001 gave no indication that the positive, long-term supply and demand fundamentals of the US market, based on demographics and brand-affection, show any sign of abating. It has not been our policy to attempt re-valuations of our expected production in line with the market's cyclicity, outside of our formal feasibility and financing activities. Nevertheless, 2001 gave confidence that little overall price movement has occurred within the Diavik product profile, and early indications from 2002 are that this new production will be received enthusiastically when it comes onto the market, which is expected to occur in the first half of 2003.

marketing strategy

Aber does not operate the Diavik Project. As a minority partner, our role has been to preserve the marketing rights to our share of the production while at the same time financing our share of the cost of construction. Throughout this, our aim has been to become an accomplished marketer of Canadian diamonds, establishing partnerships with leading representatives in the downstream portions of the diamond business in order to maximize our return. In addition to these partnerships, we have invested considerable effort in achieving a full, professional understanding of our product, control over its destination, and appreciation of our place in the diamond market. In this final year before the commencement of mine production, we have been able to realize important milestones towards these ends.

In April of 2002, our Toronto diamond sorting office was completed. By keeping in Canada a function traditionally carried out in Antwerp, this facility will allow full technical assortments of our production to be prepared under the auspices of the Company's management team. Throughout 2002, we will be undertaking a hiring and training program around a new team of diamond sorters recruited from within Canada and working under the supervision of our senior diamond personnel. The Toronto facility will allow us to supply diamonds directly to our two marketing joint ventures, already sorted for sale.

Our joint venture with Tiffany & Co. is a keystone relationship within our marketing strategy. Aber will supply the joint venture a minimum of US$50 million of rough diamonds a year for 10 years in product categories suitable to be polished to Tiffany's exacting standards. The high colour (white), non-fluorescent value centre of the Diavik production is uniquely suited to Tiffany's needs, and to the customer preferences of its two most important markets: the US and Japan. Since 1995, Tiffany's sales revenue has doubled, and as it continues to expand, Aber can deliver a consistent supply of an essential product in its business. Few diamond productions in the world offer Tiffany the same blend of technical and commercial compatibility.

As well as providing an important foundation for Aber's financing activities, the Tiffany relationship provides Aber with a unique insight into the world of luxury goods marketing. This commercial venture, linking a luxury retailer with a diamond producer, was unique when it was created in 1999 and continues to be a model for integration within the diamond industry. Throughout this time, and in the current lead-up towards production, Tiffany has been a constructive and supportive partner and shareholder.

Despite the close association between Diavik's production and Tiffany's requirements, the diamonds sold into the joint venture with Tiffany will form the smaller part of Aber's production. The balance of the goods, expected to be up to US$170 million in value, will be transferred into a joint venture within the rough diamond market operated in partnership with Overseas Diamonds N.V., a leading Antwerp diamantaire and diamond manufacturer. Named CanaDiam, the aim of the joint venture is to share, on a 51:49 basis, the extra margin normally associated with the rough dealer. Aber, the 51% partner, will supply the joint venture, on a "producer price" basis, sorted product for placement with clients located in a variety of diamond markets and manufacturing centres. The joint venture will act as a rough dealer, supplying a wide range of specialized clients with product priced and assorted with flexibility, reflecting contemporary market conditions. The initial focus will be on rough sales. Overseas Diamonds, however, is an important manufacturer of Ideal Cut stones, and a supplier to many of the important brand houses in the diamond jewelry industry. Overseas brings to the joint venture manufacturing capacity in Antwerp, South Africa, Israel and China, and the future opportunity to develop a polished sales business.

We believe that future growth within the diamond business will occur around the expansion of brand names.

The issue of product identity continues to develop within the diamond industry, as manufacturers and retailers move increasingly towards an industry of proactive marketing support, brand building and product labelling. While the great majority of diamond jewelry is still sold as a generic product, without reference to product provenance and without name identification, a collective sense is taking root in the diamond industry that future demand can be driven by increased market-making. Foremost in this effort, De Beers is encouraging marketing initiative in its own clients as well as entering the retail business in partnership with LVMH with its own chain of De Beers-brand diamond jewelry and luxury goods stores. The first is due to open on London's Bond Street in late 2002. De Beers' stated objective is a world of competing luxury brands with higher advertising expenditure, increased consumer recognition, and stronger industry revenue growth.

Within this climate, we have seen activity among representatives of the Canadian diamond industry, at both the production and manufacturing levels, to create a Canadian diamond brand. Whether in sales of rough or polished, we intend to build on the Canadian identity of the Diavik production. However, we will not develop a stand-alone brand strategy around our diamond sales. We believe that future growth within the diamond business will occur around the expansion of brand names, but that this growth will mostly favour the pre-existing diamond jewelry brands. Our aim will be to provide a professionally warranted product compatible with the requirements of the growing brand houses. Sales of Aber diamonds will be accompanied with an industry-recognized ISO 9001 certification of custody. The Canadian identity of the Diavik production will be an element of this quality hallmark, in conjunction with our social and environmental production standards, handling procedures and the production's own technical characteristics.

Both of Aber's marketing joint ventures have the same long-term goal: to foster, and participate in, the growth of the diamond jewelry industry in favour of the brand retailers and geographic markets that have a natural appetite for our product. Since diamonds are of finite supply in the world, and since the type of diamonds characteristic of the Diavik Project are of particularly restricted supply, such growth will put demand, and hence pricing, pressure on our product and contribute to the long-term growth of the Company.

diavik project

The Diavik Diamonds Project, in its early years of production, anticipates ore with a value exceeding US$400 per tonne versus operating costs in the range of US$60 per tonne. This high operating margin, and therefore resilience to product price fluctuations, has been a consistent formula for success throughout the history of the resource industry.

Aber will be fully prepared to sort and deliver diamonds to the marketplace from the beginning of 2003.

Aber owns 40% of the Diavik Project, the remaining 60% being owned by its joint venture partner and operator of the Project, Diavik Diamond Mines Inc. (DDMI), a subsidiary of Rio Tinto plc of London, England. The joint venture structure enables each partner to market its individual share of diamond production.

The overall resource of 138.1 million carats is contained in four kimberlite pipes located on the shoreline of East Island in Lac de Gras within the Barren Lands of the Northwest Territories. Within the overall resource, 106.7 million carats have been assigned reserve status at an average value of US$64 per carat. The first ten years of production will be dominated by the A-154 South kimberlite, having a grade of 5.2 carats per tonne and a reserve value of US$79 per carat. Following a ramp-up period, annual production is planned to be approximately seven million carats per year, with Aber's share being 2.8 million carats.

DIAVIK DIAMONDS PROJEC
MINERAL RESOURCE SUMMARY

[illegible]			
A-154S	8.2	5.6	45.3
A-154N	–	–	–
A-418	4.9	3.4	16.6
A-21	–	–	–
	13.0	4.8	61.9
NDICATED			
A-154S	3.2	5.1	16.7
A-154N	6.9	2.6	17.8
A-418	3.6	3.8	13.4
A-21	4.4	3.1	13.3
	18.1	3.4	61.2
INFERRED			
A-154S	0.6	3.2	1.9
A-154N	4.6	2.1	9.7
A-418	0.6	3.5	1.9
A-21	0.6	2.7	1.5
	6.3	2.4	15.0
Total	37.4	3.7	138.1

Note: Totals may not add up due to roundin

rce summary to -5 m ele
n 1 mm squ

DIAVIK DIAMONDS PROJECT ORE RESERVE SUMMARY

OPEN PIT AND UNDERGROUND MINING	PROVEN (Mt)	PROVEN (cpt)	PROVEN (Mct)	PROBABLE (Mt)	PROBABLE (cpt)	PROBABLE (Mct)	PROVEN AND PROBABLE (Mt)	PROVEN AND PROBABLE (cpt)	PROVEN AND PROBABLE (Mct)
A-154S	8.5	5.3	45.3	3.3	4.9	15.9	11.7	5.2	61.2
A-154N	–	–	–	1.3	3.5	4.5	1.3	3.5	4.5
A-418	5.1	3.2	16.4	3.6	3.6	12.8	8.7	3.4	29.3
A-21	–	–	–	4.0	3.0	11.7	4.0	3.0	11.7
Total	13.5	4.6	61.7	12.2	3.7	44.9	25.7	4.2	106.7

Note: Totals may not add up due to rounding

The Measured, Indicated and Inferred Mineral Resources and the Proven and Probable Mineral Reserves as shown in the previous tables are based on the Bankable Feasibility Study of May 2000, prepared by SNC-Lavalin Engineers and Constructors with an incorporated independent report on ore reserves prepared by Agra-Simons MRDI, now AMEC Mining and Minerals. Malcolm Thurston, Chief Geostatistician of AMEC Mining and Minerals, acted as the Qualified Person who supervised this study.

Aber believes that the mineral resource and ore reserve estimates in the May 2000 Feasibility Study continue to be relevant and reliable. Mr. Thurston verified the data disclosed in the Feasibility Study, including sampling and analytical and test data underlying the resource and reserve calculations.

More detail on the Resources and Reserves can be found in Aber's 2002 Annual Information Form filed with the securities regulators and in the "Project Overviews" section of the Aber web site at www.aber.ca.

The Project has advanced to an approximately 75% completion level. The process plant and associated service buildings have been enclosed and internal installations are on schedule to allow plant commissioning to begin by the fourth quarter of this year.

The 3.9-kilometre-long rock berm, which is the structure of the water diversion dike surrounding the A-154 South and North kimberlite pipes, was completed in October. This substantial civil engineering project entailed the crushing and screening of approximately six million tonnes of rock at 25,000 tonnes per day, making it one of the largest rock crushing operations in North America at the time. Work continues on the diaphragm wall, which is the seal within the rock berm.

Completion is scheduled for late July to allow the water removal from the open pit mining area to be completed during September. This will allow overburden and waste rock pre-stripping to proceed in the last quarter of 2002, thus enabling continuous delivery of ore to the mill from early 2003. Any potential to advance this date still further can only be defined when the water drawdown has been accomplished. Aber will be fully prepared to sort and deliver diamonds to the marketplace from the beginning of 2003.

The re-supply of the Project over the winter ice road system was completely accomplished by March 31, 2002, with a total of 3,076 truck loads being delivered to site. The supplies include all of the road-transportable items required for production as well as the initial fuel requirements for production.

A commendable standard of environmental stewardship has been maintained throughout the construction period, and during the year, all Project activities were carried out in compliance with the applicable regulatory requirements. An otherwise sound safety record was marred by a single incident which claimed the lives of two employees of one of the construction contractors. We extend our condolences to the families of these men.

The Diavik Project has been very successful in maintaining high levels of northern and aboriginal employees within the construction workforce. This philosophy is being extended into training programs to ensure the maximum participation by northerners and aboriginals in the ongoing production operation.

In Yellowknife a diamond handling facility is under construction that will provide a final cleaning of the diamonds before their division between the joint venture partners. This facility will also accommodate the diamond valuation process required by the Crown before the diamonds are exported from the Northwest Territories.

Although the initial mine development is confined to the resource contained within the four kimberlite pipes in the mine development plan, the overall Diavik property is 267,000 hectares. Ongoing exploration has already identified a total of 58 kimberlite pipes, many of which are known to be diamond bearing. Over the past year two new pipes were discovered, while two more pipes were sampled with various drilling techniques to begin the process of economic evaluation. As the Diavik Project enters its operational phase, the associated infrastructure of the mine site will provide a convenient base for exploration of the broader Diavik Property. As strategic focus turns from construction and commissioning to replenishment of mined ore reserves, the kimberlite pipes already discovered will be assessed while the search for new ones will continue.

The Project capital budget remains unchanged at $1.3 billion, of which approximately $790 million had already been expended as of December 31, 2001. Due to the accelerated program certain construction expenditures originally intended for 2002 were advanced into 2001. The development budget for 2002 is $385 million, of which Aber's 40% share is $154 million.

financing review

Aber's overall capital commitment to the Diavik Diamonds Project represents the largest financial undertaking ever by an independent single-asset mining company. The debt component represents a record bank project loan to a domestic mining project and is the largest dedicated project finance facility for a diamond project.

Since the private placement of eight million shares to Tiffany & Co. in July 1999, which raised C$104 million, Aber has been committed to fund its remaining share of the Diavik Project without further equity being issued. This commitment led to the decision to sell Aber's share of the Snap Lake property to De Beers for C$173 million in February 2001, as Aber had concluded it would not be able to fund both projects solely using debt financing and its then current cash resources.

On January 29, 2002, Aber announced the closing of a US$230 million Project Loan Facility, thereby completing the Project funding requirement. The Loan Facility had been underwritten on November 2, 2001 by a lead bank group made up of Bank of Montreal, Canadian Imperial Bank of Commerce, Deutsche Bank AG, Export Development Canada and Royal Bank of Canada. The Bank of Tokyo-Mitsubishi joined the lead bank group prior to closing. The lead group was formed in May 2001 with Bank of Montreal becoming the Collateral agent, Canadian Imperial Bank of Commerce the Technical agent, Deutsche Bank AG the Insurance agent and Royal Bank of Canada the Administrative agent. The Loan Facility was successfully syndicated in January 2002 and the overall banking group now totals 15 lenders.

Aber elected to borrow in US dollars since future diamond revenues, denominated in US dollars, will produce a natural currency hedge to the Loan Facility and its associated costs. Aber is benefiting from historically low US dollar LIBOR interest rates and the decline in the Canadian dollar exchange rate to the US dollar has reduced Aber's US dollar borrowing requirements.

The uniqueness of the Diavik Diamonds Project entailed a thorough due diligence review. The technical review team included experts on water diversion dikes, diamond reserve estimation and diamond pricing and marketing in addition to the more conventional

open pit mining and mill process issues. Independent experts from Europe were hired by the lead banks to evaluate the diamond prices placed on the reserves by Aber in its May 2000 Feasibility Study and the forecasted price projections.

It was agreed with the lead banks that Aber would establish, out of its existing equity funds, a contingency cash escrow account containing US$45 million, to be maintained in support of Project completion. Funds in the escrow account will become available to Aber for general corporate purposes on a prescribed basis, post-Project completion and upon commencement of repayment of the Loan Facility.

The Loan Facility is sufficient to fund Aber's share of all budgeted expenditures to complete the Diavik Project, including procurement, transportation and exploration. The Facility will also fund costs related to the Loan Facility itself, interest during the construction period, and Aber's corporate and marketing expenditures before revenue is achieved. With the reduction in short-term interest rates and the weakening of the Canadian dollar, Aber does not expect to utilize the full capacity of the Facility. Any acceleration of the April 2003 production date may reduce the amount of the Facility used.

The average cost of funds, including arrangement fees, is currently approximately 7.5%. The underlying interest rate is floating at LIBOR plus 3%. The Loan Facility allows Aber to hedge both interest and currency exchange rates. First drawdown occurred in February 2002 and further drawdowns will be made monthly. Scheduled amortization will be made over eight semi-annual equal installments following Project completion. The Loan Facility contemplates accelerated repayments based upon available Project cash flow. According to the feasibility study base case economics, it is estimated that the Loan Facility will be fully repaid in 2005. This could be accelerated if the level of maximum borrowing is reduced for the reasons described above.

Aber would like to thank all its advisors who aided management over the last 18 months. N M Rothschild & Sons acted as Aber's financial advisor. Antwerpse Diamantbank NV of Antwerp, Belgium provided advice on downstream diamond marketing issues. Stikeman Elliott acted as counsel to Aber, supported locally by Peterson, Stang & Malakoe of Yellowknife, NWT, and Loyens of Brussels, Belgium. Willis Canada acted as insurance advisors.

aber diamond corporation ~ financial information

management's discussion and analysis ~ management's responsibility for financial reporting ~ auditors' report to the shareholders ~ consolidated balance sheets ~ consolidated statements of operations and retained earnings ~ consolidated statements of cash flows ~ notes to consolidated financial statements

management's discussion and analysis

The following discussion and analysis should be read in conjunction with the consolidated financial statements and corresponding notes

NET EARNINGS

Aber's net earnings for the fiscal year ended January 31, 2002 totalled $81.0 million or $1.49 per share, compared to net earnings of $1.2 million or $0.02 per share a year earlier. The current year's results include a $147.7 million gain ($84.0 million after tax) from the sale of Aber's share in the Snap Lake property.

INCOME

Aber's interest income from short-term monetary investments totalled $7.2 million, down 18% from $8.8 million a year earlier. The decrease is due to lower short-term interest rates and lower average cash balances on hand. Gross proceeds received in February 2001 from the sale of Aber's share of Snap Lake were $172.8 million, resulting in a pre-tax gain of $147.7 million.

EXPENSES

Aber's expenses increased during the latest fiscal year to $7.9 million, up from $5.3 million a year earlier. General and administrative expenses were $7.4 million, up 42% from $5.2 million. This increase was due to higher staffing levels in Toronto and executive bonuses related to the successful completion of the Project Loan Facility.

INCOME TAXES

Aber recorded a tax provision of $65.8 million, compared to $2.4 million in the previous year. This provision was mainly due to the sale of Aber's share in the Snap Lake property.

LIQUIDITY AND CASH RESOURCES

During the year ended January 31, 2002, working capital decreased to $56.1 million from $106.8 million the previous year, even after considering the receipt of $172.8 million in February 2001 for the sale of Aber's share of the Snap Lake property. Aber funded its share of the Diavik property program, marketing initiatives and costs relating to the Project Loan Facility from its own cash resources. In the current year's figures, working capital of $25.5 million for the Diavik Diamonds Project has been included, compared to $19.3 million in the previous year.

As of January 31, 2002, Aber had $87.2 million in cash and cash equivalents, of which $46.6 million was held at the Diavik Project, compared to $123.9 million, of which $34.5 million was held at the Diavik Project, a year earlier. Cash is made up of high quality short-term commercial paper. These very liquid, securitized money market instruments are distributed through Canada's major Schedule I chartered banks and can be sold prior to maturity.

FINANCING ACTIVITIES

During the fiscal year ended January 31, 2002, the Company received $0.4 million from the exercise of 50,000 share purchase options. During the previous year, the Company received $5.1 million from the issue of 650,000 shares from the exercise of share purchase options.

INVESTING ACTIVITIES

Investing activities with respect to mineral property expenditures, deferred charges and capital assets were $210.9 million during the year, up 153% from $83.4 million a year earlier. The most significant investment in both periods was for the Diavik Project. In the current year, Aber invested $199.6 million in the Diavik Project for site construction in 2001. The principal activities on site for this period were the crushing, hauling and placement of rock for the 3.9-kilometre A-154 dike, as well as completion of process plant cladding and approximately 4,000 loads transported over the winter ice road in 2001. In the previous year, $74.9 million was spent on the Diavik Project, mainly for the permitting process, construction engineering and site infrastructure preparation. Aber spent $10.5 million on the US$230 million Project Loan Facility, the closing of which was announced on January 29, 2002.

Aber also spent $5.1 million on marketing initiatives, which included the purchase of rough diamonds for training purposes as well as the build-out of Aber's dedicated sorting facilities.

In February 2001, Aber sold its share in the Snap Lake Project to De Beers Canada Mining Inc. for $172.8 million.

Aber is likely to earn lower interest on its cash balances in the fiscal year ending January 31, 2003 than in the current year. Aber is expecting to reach commercial production from the Diavik Diamonds Project in the first half of the following fiscal year. Therefore, the Company is not expected to generate net earnings until the year commencing February 1, 2003. The principal activities currently in progress at the Project are the final phases of construction and pre-production stripping of the A-154 South and A-154 North open pit mine and the completion and commissioning of the Project process facilities. During the current fiscal year, costs for the Diavik Diamonds Project are budgeted at $385 million, of which Aber's share is $154 million.

As previously announced, Aber has closed its US$230 million Project Loan Facility. The Loan Facility is sufficient to fund Aber's share of all budgeted expenditures to complete the Diavik Project, including procurement, transportation and exploration. The Facility will also fund costs related to the Loan Facility itself, interest during the construction period, and Aber's corporate and marketing expenditures before revenue is achieved.

For a more complete description of the Loan Facility, refer to the "Financing Review" on page 24 of the Annual Report.

TERLY FINANCIAL INFORMATION

The following is a summary of unaudited quarterly financial information for the two years ended January 31, 2002.

$000s, except per share amounts

	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL
Income	3,135	2,098	1,526	273	7,032
Gain on sale of Snap Lake property	147,714	–	–	–	147,714
Net earnings (loss)	85,269	264	(54)	(4,441)	81,038
Basic earnings (loss) per share	1.56	–	–	(0.08)	1.49
Diluted earnings (loss) per share	1.55	–	–	(0.08)	1.46

	1ST QTR	2ND QTR	3RD QTR	4TH QTR	TOTAL
Income	2,474	2,455	2,223	1,676	8,828
Net earnings (loss)	723	507	282	(355)	1,157
Basic earnings (loss) per share	0.01	0.01	0.01	(0.01)	0.02
Diluted earnings (loss) per share	0.01	0.01	0.01	(0.01)	0.02

ORWARD-LOOKING STATEMENTS

For information about the risks Aber faces, please refer to the "Safe Harbour Statement" on page 51.

TLY ISSUED ACCOUNTING STANDARDS

In November 2001, the CICA amended Handbook Section 1650, "Foreign Currency Translation" ("Section 1650") and issued Accounting Guideline 13, "Hedging Relationships" ("AcG 13"). The revision to Section 1650 will eliminate the deferral and amortization of foreign currency translation differences resulting from the translation of long-term monetary assets and liabilities denominated in foreign currencies. All such translation differences will be charged directly to income. Section 1650 will be in effect as of January 1, 2002. This standard will apply prospectively, and no retroactive restatement of the Company's financial statements is required.

AcG 13 establishes new criteria for hedge accounting and will apply to all hedging relationships in effect on or after January 1, 2003. On January 1, 2003, the Company will reassess any hedging relationships to determine whether the criteria are met or not and will apply the new guidance on a prospective basis. To qualify for hedge accounting, the hedging relationship must be appropriately documented at the inception of the hedge and there must be reasonable assurance, both at the inception and throughout the term of the hedge, that the hedging relationship will be effective. Effectiveness requires a high correlation of changes in fair values or cash flows between the hedged item and the hedge. The Company currently does not have any hedging relationships that will not meet the new hedging criteria.

In December 2001, Handbook Section 3870, "Stock-based Compensation and Other Stock-based Payments" ("Section 3870") was issued. Section 3870 establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services provided by employees and non-employees. It applies to transactions in which shares of common stock, stock options or other equity instruments are granted or liabilities incurred based on the price of common stock or other equity instruments.

Section 3870 sets out a fair value based method of accounting that is required for certain, but not all, stock-based transactions. Section 3870 must be applied to all stock-based payments to non-employees; and to employee awards that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments. However, the new standard permits the Company to continue its existing policy that no compensation cost is recorded on the grant of stock options to employees. Consideration paid by employees on the exercise of stock options is recorded as share capital and contributed surplus.

Section 3870, however, does require additional disclosures for options granted to employees, including disclosure of pro forma earnings and pro forma earnings per share as if the fair value based accounting method had been used to account for employee stock options.

Section 3870 will be applied prospectively to all stock-based payments to non-employees, and to employee awards that are direct awards of stock, call for settlement in cash or other assets, or are stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after January 1, 2002, except grants outstanding at January 1, 2002 that call for settlement in cash or other assets, or stock appreciation rights that call for settlement in equity instruments. The Company does not have any such grants, and no adjustment to retained earnings, other liabilities or contributed surplus will be required.

Had the fair value based method been used for all stock options granted during the fiscal year ending January 31, 2002, the Company's net earnings for the year would have decreased by $4.6 million, not including the effect of options granted prior to January 31, 2001. The effect, on a pro forma basis, of the fair value based accounting method on the Company's earnings per share would have been a reduction of $0.08. The effect on net earnings of options granted to a consultant during the year is $0.5 million, as presented in the Company's US GAAP reconciliation in the notes to the consolidated financial statements. The Company does not believe that the adoption of these standards will have a material impact on the Company's financial condition or results of operations. Application of Section 3870 will eliminate the reconciliation of compensation expense between Canadian and US GAAP in future periods.

management's responsibility for financial reporting

The consolidated financial statements and the information contained in the annual report have been prepared by the management of the Company. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgments based on currently available information. A system of internal accounting control is maintained to provide reasonable assurance that financial information is accurate and reliable.

The Company's independent auditors, who are appointed by the shareholders, conduct an audit in accordance with generally accepted auditing standards to allow them to express an opinion on the financial statements.

The Board of Directors' Audit Committee meets periodically with management to review the internal controls, financial statements and related reporting matters, and with the independent auditors to review the scope and results of the annual audit prior to approval of the financial statements by the entire Board.

Robert A. Gannicott
President & Chief Executive Officer

Andrew B. Adams
Vice President & Chief Financial Officer

auditors' report to the shareholders

We have audited the consolidated balance sheets of Aber Diamond Corporation as at January 31, 2002 and 2001 and the consolidated statements of earnings and retained earnings and cash flows for each of the years in the three-year period ended January 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

With respect to the consolidated financial statements for the years ended January 31, 2002 and 2001, we conducted our audit in accordance with Canadian generally accepted auditing standards and United States generally accepted auditing standards. With respect to the consolidated financial statements for the year ended January 31, 2000, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2002 and 2001 and the results of its operations and its cash flows for each of the years in the three-year period ended January 31, 2002 in accordance with Canadian generally accepted accounting principles.

Canadian generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in the United States. Application of accounting principles generally accepted in the United States would have affected results of operations for each of the years in the three-year period ended January 31, 2002 and shareholders' equity as at January 31, 2002 and 2001 to the extent summarized in NOTE 14 to the consolidated financial statements.

KPMG LLP

Chartered Accountants

Toronto, Canada

March 15, 2002

consolidated balance sheets

JANUARY 31, 2002 AND 2001
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

	2002	2001
Assets		
Current assets:		
Cash and cash equivalents NOTE 4	$ 87,222	$ 123,912
Accounts receivable	2,375	1,604
Advances and prepaid expenses	7,303	1,187
	96,900	126,703
Deferred mineral property costs NOTE 5	352,515	195,510
Deferred charges NOTE 6	19,893	5,333
Capital assets NOTE 7	34,886	9,445
	$ 504,194	$ 336,991
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 40,758	$ 19,883
Future income tax liability NOTE 8	80,926	16,061
Minority interest	12	–
Shareholders' equity:		
Share capital NOTE 9	326,200	325,787
Retained earnings (deficit)	56,298	(24,740)
	382,498	301,047
Commitments and contingencies NOTE 11		
Subsequent events NOTES 9 & 13		
	$ 504,194	$ 336,991

See accompanying notes to consolidated financial statements.

On behalf of the Board:

John C. Lamacraft

Robert A. Gannicott
Director

consolidated statements of [illegible]

YEARS ENDED JANUARY 31, 2002, 2001 AND 2000
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

	2002	2001	2000
Income:			
Interest	$ 7,245	$ 8,828	$ 8,458
Gain on sale of Snap Lake property NOTE 5(B)	147,714	–	–
Foreign exchange	(213)	–	–
Expenses:			
General and administrative	7,406	5,216	3,817
Amortization	376	59	36
Closure of Vancouver office	–	–	3,500
Write-down of long-term assets	129	–	8,587
	[illegible]	5,275	15,940
Earnings (loss) before income taxes	146,835	3,553	(7,482)
Income tax provision (recovery) NOTE 8	65,797	2,396	(1,916)
Net earnings (loss)	81,038	1,157	(5,566)
Deficit, beginning of year	(24,740)	(25,897)	(20,331)
Retained earnings (deficit), end of year	[illegible]	$ (24,740)	$ (25,897)
Earnings (loss) per share NOTE 2(K)			
Basic	$ 1.49	$ 0.02	$ (0.11)
Diluted NOTE 10	$ 1.46	$ 0.02	$ (0.11)
Weighted average number of shares outstanding	[illegible]	54,368,870	49,808,690

See accompanying notes to consolidated financial statements.

consolidated statements of cash flows

YEARS ENDED JANUARY 31, 2002, 2001 AND 2000
(EXPRESSED IN THOUSANDS OF CANADIAN DOLLARS)

	2002	2001	2000
Cash provided by (used in):			
Operations:			
Net earnings (loss)	$ 81,038	$ 1,157	$ (5,566)
Items not involving cash			
Gain on sale of Snap Lake property NOTE 5(B)	(147,714)	–	–
Amortization	376	59	36
Future income taxes	64,865	1,770	(2,724)
Foreign exchange	213	–	–
Write-down of long-term assets	129	–	8,791
Change in non-cash operating working capital	2,311	2,990	(4,088)
	1,218	5,976	(3,551)
Financing:			
Issue of common shares for cash, net of issue expenses NOTE 9	413	5,116	104,701
Investments:			
Deferred mineral property costs	(170,059)	(69,022)	(24,160)
Deferred charges	(12,562)	(2,022)	(1,848)
Capital assets	(28,249)	(12,403)	(79)
Proceeds on disposal of Snap Lake property	172,762	–	–
Money market instruments	–	78,106	(29,312)
	(38,108)	(5,341)	(55,399)
Foreign exchange effect on cash balances	(213)	–	–
Increase (decrease) in cash and cash equivalents	(36,690)	5,751	45,751
Cash and cash equivalents, beginning of year	123,912	118,161	72,410
Cash and cash equivalents, end of year	$ 87,222	$ 123,912	$ 118,161
Change in non-cash operating working capital:			
Accounts receivable	$ 246	$ 2,732	$ (3,055)
Prepaid expenses	(2)	15	4
Accounts payable and accrued liabilities	2,067	243	(1,037)
	$ 2,311	$ 2,990	$ (4,088)

See accompanying notes to consolidated financial statements.

notes to consolidated financial statements

YEARS ENDED JANUARY 31, 2002, 2001 AND 2000
(TABULAR AMOUNTS IN THOUSANDS OF CANADIAN DOLLARS)

1. NATURE OF OPERATIONS

Aber Diamond Corporation (the "Company"), formerly Aber Resources Limited, is incorporated under the laws of British Columbia. With the development of the Diavik Diamonds Project, Aber is positioned to become a vertically integrated diamond marketing company supplying a quality Canadian product to the expanding global diamond market. While exploration and development interests remain with the Project, the Company's primary attention has turned to maximizing the value of its diamond production.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared by management in accordance with accounting principles generally accepted in Canada, and except as described in NOTE 14, conform in all material respects with accounting principles generally accepted in the United States. The principal accounting policies followed by the Company, which have been consistently applied, are summarized as follows:

(A) Basis of presentation

The consolidated financial statements include the accounts of the Company and all of its subsidiaries as well as its proportionate share of jointly controlled assets. Intercompany transactions and balances have been eliminated. The accounting policies described below reflect those of the Diavik Joint Venture.

(B) Cash and cash equivalents and money market instruments

Cash and cash equivalents, which consist of cash on hand, balances with banks and short-term money market instruments (with a maturity on acquisition of less than 90 days), are carried at cost, which approximates market.

(C) Deferred mineral property costs

All mineral claim acquisition costs and exploration and development expenditures in the pre-production stage relating to mineral properties, net of any recoveries, are capitalized and accumulated on a property-by-property basis. General exploration expenditures which do not relate to specific resource properties are expensed in the period incurred.

The costs of deferred mineral properties from which there is production will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

On an ongoing basis, the Company evaluates each property based on results to date to determine the nature of exploration and development activities that are warranted in the future. If there is little prospect of the Company or its partners continuing to explore or develop a property, the deferred costs related to that property are written down to the estimated recoverable amount based on undiscounted cash flows.

Deferred charges

Deferred charges include costs related to mineral projects, marketing initiatives and other activities which are incurred by the Company as well as costs related to future debt financing. Mineral project costs incurred directly will be amortized on the same basis as the underlying asset to which they relate. Marketing initiative costs will be amortized over the 18-month period commencing six months after production is achieved at the Diavik mine. Costs related to future financing will be amortized over the repayment term of the related debt.

Environmental and site reclamation costs

Estimated environmental and site reclamation costs will be provided for on a unit-of-production basis when reclamation requirements are established and the costs can be reasonably estimated.

Capital assets

Capital assets, which include production equipment, office furniture and equipment and leasehold improvements, are stated at cost. Amortization is provided using the straight-line method over the estimated useful lives of the related assets, which are estimated as follows:

ASSET	YEARS
Office furniture and equipment	3–10
Vehicles	3
Computer software and hardware	3
Leasehold improvements	5–10

Amortization for the Diavik Diamonds Project assets is charged to deferred mineral property costs during the pre-production stage.

Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at the rates prevailing on the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the year-end rates of exchange. Non-monetary assets are translated at the exchange rates prevailing when the assets were acquired. Realized and unrealized exchange gains and losses are included in earnings.

Income taxes

The Company accounts for income taxes under the asset and liability method. Under this method, future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying value and the tax basis of assets and liabilities.

Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period during which the change in tax rates is considered to be substantially enacted.

Employee stock option plan

The Company has an employee stock-based option plan, which is described in NOTE 9. Any consideration paid by the employees on the exercise of the stock options is credited to share capital. Options are granted at the fair value of the Company's common shares on the date of the grant of the options. No compensation expense is recognized when stock options are issued to employees.

Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of deferred mineral property costs and reclamation obligations. Financial results as determined by actual events could differ from those estimates.

(K) Earnings (loss) per share

Basic earnings per share are computed by dividing net earnings (loss) by the weighted average number of shares outstanding during the year.

Effective February 1, 2001, the Company changed its method of calculating earnings per share, on a retroactive basis, in accordance with Section 3500 of the CICA Handbook. Under the new recommendations, consistent with United States accounting principles, the calculation of diluted earnings (loss) per share uses the treasury stock method to compute the dilutive effect on options and warrants. The treasury stock method assumes any options proceeds would be used to purchase common shares at the average market price during the period.

3. FINANCIAL INSTRUMENTS

The fair values of the Company's cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts because of the immediate or short-term maturity of these financial instruments.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents is comprised of the following:

	2002	2001
Diavik Joint Venture	$ 46,569	$ 34,532
Cash and cash equivalents	13,667	89,380
Cash collateral for Diavik Project completion NOTE 13	26,986	–
	$ 87,222	$ 123,912

5. DEFERRED MINERAL PROPERTY COSTS

	BALANCE JANUARY 31, 2001	FISCAL YEAR EXPENDITURES	DISPOSALS/ WRITE-DOWNS	BALANCE JANUARY 31, 2002
Diavik	$ 171,659	$ 180,856	$ –	$ 352,515
Snap Lake	23,823	–	(23,823)	–
Other	28	101	(129)	–
	$ 195,510	$ 180,957	$ (23,952)	$ 352,515

	BALANCE JANUARY 31, 2000	FISCAL YEAR EXPENDITURES	DISPOSALS/ WRITE-DOWNS	BALANCE JANUARY 31, 2001
Diavik	$ 104,228	$ 67,431	$ –	$ 171,659
Snap Lake	8,567	15,256	–	23,823
Other	–	28	–	28
	$ 112,795	$ 82,715	$ –	$ 195,510

The recoverability of amounts capitalized as deferred mineral property costs and capital assets (NOTE 7) is dependent on the Company's ability to establish sufficient economically recoverable ore reserves and profitable operations or on the profitable disposition of its interests.

The Company has various commitments relating to its interest in mineral properties which are in the normal course of business. The ability of the Company to maintain its interest in its properties by contributing its share of exploration, development and capital expenditures is dependent upon its ability to raise additional funds. The amounts shown as deferred mineral property costs and capital assets represent net costs to date less amounts written down and do not necessarily represent present or future values.

(A) Diavik Diamonds Project

The Company holds a 40% interest in the core Diavik group of mineral claims, which, based on a feasibility study, contains commercially mineable diamond reserves. Diavik Diamond Mines Inc. ("DDMI"), a subsidiary of Rio Tinto plc, is the operator of the joint venture and holds the remaining 60% interest. The core claims may be subject to aggregate royalties of up to 2%.

The Company also has interests ranging from 10% to 44.4% in properties adjoining the core Diavik property. Some of these properties are subject to aggregate royalties of approximately 2.5%.

(B) Snap Lake

In February 2001, the Company sold its interest in the Snap Lake property to De Beers Canada Mining Inc. for US$114 million (C$173 million). The Company recorded a gain of approximately $84 million after taxes. The transaction was recorded as follows:

Proceeds received	$ 172,762
Book value of property interest and related deferred charges	25,048
Gain before income taxes	147,714
Income taxes	(63,694)
Net gain	$ 84,020

6. DEFERRED CHARGES

	2002	2001
Mineral projects	$ 67	$ 1,318
Marketing initiatives	4,333	3,093
Financing NOTE 13	15,493	922
	$ 19,893	$ 5,333

[illegible]

	2002			2001		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Diavik equipment and leaseholds	$ 36,298	$ (7,962)	$ 28,336	$ 11,980	$ (2,953)	$ 9,027
Furniture and equipment	366	(77)	289	119	(28)	91
Leasehold improvements	6,624	(363)	6,261	363	(36)	327
	$ 43,288	$ (8,402)	$ 34,886	$ 12,462	$ (3,017)	$ 9,445

Costs included in leasehold improvements relate substantially to the establishment of the Toronto sorting facility, and will be amortized over the term of the lease upon commencement of commercial production.

INCOME TAXES

(A) The income tax provision consists of the following:

	2002	2001	2000
Current	$ (932)	$ (626)	$ (808)
Future (expense) recovery	(64,865)	(1,770)	2,724
	$ (65,797)	$ (2,396)	$ 1,916

During the year ended January 31, 2002, $932,000 (2001 – $626,000; 2000 – $696,000) was paid for Large Corporations Tax.

(B) The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities at January 31, 2002 and 2001 are as follows:

	2002	2001
Future tax assets:		
Capital assets	$ –	$ 1,367
Net operating loss carryforwards	774	–
Issue costs	5,265	770
Total gross future income tax assets	6,039	2,137
Future tax liabilities:		
Capital assets	(1,292)	–
Deferred mineral property costs	(85,673)	(18,198)
Total future income tax liability	$ (80,926)	$ (16,061)

(C) The difference between the amount of the reported consolidated income tax provision and the amount computed by multiplying the earnings (loss) before income taxes by the statutory tax rate of 43% (2001 – 43%; 2000 – 44.62%) is a result of the following:

Expected income tax expense (recovery)	$ 63,139	$ 1,528	$ (3,249)
Resource allowance	733	516	482
Non-deductible items	173	45	9
Large Corporations Tax	932	626	808
Reduction in corporate income tax rates	–	(518)	–
Other	820	199	34
Recorded income tax expense (recovery)	[illegible]	$ 2,396	$ (1,916)

(D) The Company has non-capital loss carryforwards for Canadian income tax purposes of approximately $2.4 million to reduce taxable income, which expire in 2009.

SHARE CAPITAL

Authorized

100 million common shares without par value.

Issued

	NUMBER OF SHARES	AMOUNT
Balance, January 31, 1999	45,777,883	$ 215,970
Shares issued for:		
Cash on exercise of options	103,437	806
Cash on sale of shares (i)	8,000,000	103,895
Balance, January 31, 2000	53,881,320	320,671
Shares issued for:		
Cash on exercise of options	650,000	5,116
Balance, January 31, 2001	54,531,320	325,787
Shares issued for:		
Cash on exercise of options	50,000	413
Balance, January 31, 2002	54,581,320	$ 326,200

(i) In July 1999, the Company completed an equity financing of 8,000,000 shares at a price of $13 per share with T
The net proceeds, after costs and commissions, were $103.9 million.

(C) Common share options

Under the Employee Stock Option Plan, approved in February 2001, the Company may grant options to its employees for up to 4,500,000 shares of common stock, vesting 25% on grant and 25% in each of the subsequent three years. Options may be granted to any director, officer, employee or consultant of the Company or any of its affiliates. The number of shares reserved for issuance to any one optionee pursuant to options cannot exceed 2% of the issued and outstanding common shares of the Company at the date of grant of such options.

The exercise price of each option cannot be less than the fair market value of the shares on the last trading day preceding the date of the grant. The maximum term of an option is 10 years.

Changes in share options outstanding are as follows:

	2002		2001		2000	
	OPTIONS (000s)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (000s)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS (000s)	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of year	1,832	$ 10.53	2,187	$ 10.10	1,980	$ 14.52
Granted	967	13.23	395	10.68	1,375	9.78
Exercised	(50)	8.26	(650)	7.87	(103)	7.79
Expired	(75)	12.87	(100)	18.95	(1,065)	18.49
	2,674	$ 11.49	1,832	$ 10.53	2,187	$ 10.10

The following summarizes information about stock options outstanding at January 31, 2002:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING (000s)	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE IN YEARS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE (000s)	WEIGHTED AVERAGE EXERCISE PRICE
$ 8.60 – $ 9.15	1,122	7.8	$ 9.03	780	$ 9.02
10.60 – 10.85	255	4.5	10.65	191	10.65
12.45 – 14.35	1,037	8.8	12.69	332	12.93
17.50	260	8.3	18.11	123	18.80
	2,674		$ 11.49	1,426	$ 10.99

Subsequent to the end of the year, directors and employees were granted 462,000 common share options at an exercise price of $23.35 each expiring in the year 2012.

10. EARNINGS (LOSS) PER SHARE

The following table sets forth the computation of diluted earnings per share:

YEAR ENDED JANUARY 31,	2002	2001	2000
Numerator:			
Net earnings (loss) for the year	$ 81,038	$ 1,157	$ (5,566)
Denominator (thousands of shares):			
Weighted average number of shares outstanding	54,553	54,369	49,809
Dilutive effect of employee stock options	968	207	–
	55,521	54,576	49,809

11. COMMITMENTS

(A) Environmental agreement

Through negotiations of an environmental agreement dated March 2000, the Diavik Diamonds Project must provide funding for an Environmental Monitoring Advisory Board of $600,000 for calendar 2002. Further funding will be required in future years; however, specific amounts have not yet been determined. This agreement also states the joint venture must provide security deposits for the performance by the joint venture of its reclamation and abandonment obligations under all environmental laws and regulations.

The agreement specifically provides that these funding requirements will be reduced by amounts spent by the joint venture on reclamation and abandonment activities.

During 2001, an additional $1.5 million was committed under the Fisheries Act Authorization. This amount is in excess of the commitments under the environmental agreement.

(B) Participation agreements

The Diavik Diamonds Project has signed participation agreements with the Lutsel K'e Dene First Nation, Yellowknives Dene First Nation, Kitikmeot Inuit Association, North Slave Métis Alliance, and Dogrib Treaty 11 Council. These agreements are expected to contribute to the social, economic and cultural well-being of the Aboriginal Bands. These commitments are (at 40% being the Company's proportionate share) $580,000 in calendar year 2002 and $1.4 million for each of years 2003–2006.

Funding and lease commitments

The Company's maximum funding commitments with respect to its 40% share of Diavik's environmental agreements are:

2003	$ 13,328
2004	8,464
2005	9,600
2006	10,000
2007	10,000
Thereafter to 2032	11,140
	$ 62,532

The Company's lease commitments are:

2003	$ 1,177
2004	1,147
2005	938
2006	789
2007 and thereafter	4,630
	$ 8,681

During the year ended January 31, 2002, the Company paid consulting fees of $150,000 (2001 – $331,500 and 2000 – $177,000) to non-executive directors of the Company.

COMPLETION OF DIAVIK PROJECT LOAN FACILITY

Aber announced on January 29, 2002 the closing of its US$230 million Project Loan Facility (the "Loan Facility"). First drawdown on the Loan Facility was made on February 6, 2002 and further drawdowns will be made monthly.

The Loan Facility is sufficient to fund Aber's share of all budgeted expenditures to complete the Diavik Project, including procurement, transportation and exploration. The Facility will also fund costs related to the Loan Facility itself, interest during the construction period, and Aber's corporate and marketing expenditures before revenue is achieved.

The average cost of funds, including arrangement fees, is currently approximately 7.5%. The underlying interest rate is floating at LIBOR plus 3%. The Loan Facility allows Aber to hedge both interest and currency exchange rates. Scheduled amortization of the Loan Facility will be over eight semi-annual equal installments following project completion, with a final maturity date of December 15, 2007. The Loan Facility contemplates accelerated repayment based upon available Project cash flow.

Since Aber is a single-asset company with a minority interest in the Diavik Project, it could not provide a traditional completion guarantee to the banks with respect to Project completion. Therefore it was agreed with the bank group that Aber would establish out of its existing equity funds a contingency cash collateral account containing US$45 million, to be maintained in support of Project completion. Funds in the cash collateral account will become available to Aber for general corporate purposes on a prescribed basis post-Project completion and upon commencement of repayment of the Loan Facility. US$17 million (C$27.0 million, NOTE 4) had been established in the cash collateral account by January 31, 2002. The Company is required to comply with certain financial and non-financial covenants.

As at January 31, 2002, financing charges of $15.5 million are included in deferred charges (NOTE 6). Subsequent to year-end, additional financing charges of $7.3 million were deferred.

14. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. Except as set out below, these financial statements also comply, in all material aspects, with accounting principles generally accepted in the United States and the rules and regulations of the Securities Exchange Commission. The following tables reconcile results as reported under Canadian GAAP with those that would have been reported under United States GAAP ("US GAAP").

Balance sheet:		
Mining interests (A)	$ 352.515	$ 263.19[illegible]
Deferred charges (B)	19.893	19 6[illegible]
Future income taxes	(80.926)	[illegible]
Shareholders' equity	[illegible]	[illegible]

Balance sheet:		
Mining interests (A)	$ 195,510	$ 82,847
Deferred charges (B)	5,333	4,273
Future income taxes	(16,061)	–
Shareholders' equity	(301,047)	(203,385)

		2002		2001		2000
Earnings (loss) for the year, Canadian GAAP	$	81,038	$	1,157	$	(5,566)
Expenditures on mineral properties prior to the establishment of proven and probable reserves capitalized under Canadian GAAP		–		(15,920)		(11,640)
Gain on sale of Snap Lake property (B)		24,569		–		–
Future income taxes (B)		23,571		1,770		(2,723)
Compensation expense (C)		(454)		–		–
Earnings (loss) for the year, US GAAP		128,724		(12,993)		(19,929)
Cumulative effect of change in accounting policy regarding mining interests of February 1, 1999		–		–		(92,813)
Less written-off under Canadian GAAP during the year		–		–		6,649
		–		–		(86,164)
Future income taxes relating to cumulative effect		–		–		17,015
Earnings (loss) for the year, US GAAP	$	128,724	$	(12,993)	$	(89,078)
Basic earnings (loss) per share before cumulative effect of accounting change	$	2.36	$	(0.24)	$	(0.40)
Diluted earnings (loss) per share before cumulative effect of accounting change	$	2.32	$	(0.24)	$	(0.40)
Accounting change		–		–		(1.39)
Basic earnings (loss) per share	$	2.36	$	(0.24)	$	(1.79)
Diluted earnings (loss) per share	$	2.32	$	(0.24)	$	(1.79)

(A) Expenditures on mining interests prior to the establishment of proven and probable reserves

Effective February 1, 1999, the Company changed its method of accounting for costs on unproven properties under US GAAP from capitalizing all expenditures to expensing all costs prior to the completion of a definitive feasibility study which establishes proven and probable reserves. The cumulative effect of this change calculated as of February 1, 1999, was $75.8 million net of related future income tax liabilities, which amount was charged to operations in the year ended January 31, 2000 as the cumulative effect of a change in accounting principle.

(B) Gain on sale of Snap Lake property

As noted in (A) above, certain deferred mineral property costs have been expensed for US GAAP purposes. The gain on sale has been adjusted to reflect the difference in cost for US and Canadian GAAP. Future income taxes have also been adjusted to reflect the difference in cost basis.

(C) Stock-based compensation

Beginning in 1996, United States accounting principles allow, but do not require, companies to record compensation cost for stock option plans at fair value. The Company has chosen to continue to account for stock options using the intrinsic value method as permitted under Canadian and United States accounting principles.

Under US GAAP, options granted to non-employees would be fair valued and accounted for as compensation expense. Under present Canadian GAAP, options can be valued under either the intrinsic value method or fair value method. During the year, 100,000 stock options were issued to a director for consulting work performed. The fair value of these options has been estimated at the balance sheet date using a Black-Scholes option pricing model with the following assumptions for 2002: risk-free interest rate of 5.8%, dividend yield of 0% and a volatility factor of 47%. This results in a fair value of $8.72 per option. Compensation expense is then calculated based on number of options vested.

(D) Comprehensive income

Effective for fiscal years beginning after December 15, 1997, Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("FAS 130") is applicable for US GAAP purposes. FAS 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. FAS 130 requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement. The Company's activities do not include any items which would require the presentation of comprehensive income for the years ended January 31, 2002, 2001 and 2000.

(E) Statement of cash flows

As a result of the treatment of mining interests under item (A) above, cash expended for exploration costs would be classified as operating rather than investing, resulting in the following totals for 2001. For 2002, there would be no difference between US GAAP and Canadian GAAP.

	2002	200
Cash provided by (used in) operations	$ 1,218	$ (13,796)
Cash used in investing	$ (38,108)	$ (14,431)

Impact of recent United States Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Company also records a corresponding asset which is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Company is required to adopt SFAS No. 143 on February 1, 2003.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"). SFAS No. 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets. This statement requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. SFAS No. 144 also broadens the definition of discontinued operations to include all distinguishable components of an entity that will be eliminated from ongoing operations. The Company is required to adopt SFAS No. 144 on February 1, 2002 on a prospective basis.

SAFE HARBOUR STATEMENT ON FORWARD-LOOKING INFORMATION

This report contains "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995. When used in this report, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements – which are, by their very nature, not guarantees of Aber's future operational or financial performance, and are subject to risks and uncertainties. This forward-looking information mainly concerns Aber's plans for its diamond initiatives and is based on the conclusions of management. With respect to Aber's future revenues from its marketing activities, differences may result from developments in world diamond markets and diamond valuations and other factors. With respect to the Diavik Diamonds Project, differences may result from additional drilling, sampling, and diamond valuations and from engineering and construction timetables, financial arrangements, developments in world diamond markets, local, regional or national political developments in Canada and other factors. With respect to other projects, actual events may differ from current expectations due to exploration results, new exploration opportunities, changing budget priorities of Aber or its joint venture partners and other factors.

ABER STOCK TRADING HISTORY

	FEB. 1, 2001 TO JAN. 31, 2002		FEB. 1, 2000 TO JAN. 31, 2001	
	TSE C$	NASDAQ US$	TSE C$	NASDAQ US$
High	24.27	15.25	14.60	9.63
Low	12.00	7.75	7.50	5.19
Close	24.00	15.18	12.85	8.69
Average Daily Volume	124,425	4,696	105,848	5,916

glossary of terms

Assortment ~ A collection of diamonds sorted into parcels by size, colour or clarity for the purposes of valuation or sale.

Carat* ~ Unit used to measure gemstones, equal to 200 milligrams or 0.2 grams. For smaller gems, 100 points are equal to one carat.

Clarity* ~ The quality grade of a diamond, indicating the quality and nature of natural inclusions or external flaws. Polished diamond clarities range from IF (Internally Flawless) through VS (Very Small Inclusion) and SI (Small Inclusion) to I (Inclusion).

Colour* ~ The colour grade of a diamond. Polished diamond colour grades range from D (Colourless) through H–I (Near-Colourless) and L–M (light yellow/brown) to Z.

Cut* ~ The shape, and perfection of finish, of a polished diamond. Cut grades range from Fair to Ideal.

Diamond ~ A crystallized variety of pure carbon that may be of gem quality.

Dike ~ A temporary structure used to retain or restrict water flow.

Feasibility Study ~ A complete study of sufficient detail and accuracy to be used for project decisions and financing purposes. The feasibility study contains mineable reserves, cost estimates (+/-15 per cent), mine plans, ore grades and annual schedules, the results of extensive test work and general arrangement plans.

Grade ~ Number of carats (or other unit of weight) in a physical unit of ore, usually expressed in carats per tonne.

*The 4 C's

Ideal Cut ~ A quality of cut, or "make", for a round, brilliant cut diamond where the ratio of depth (depth percentage) to width (table percentage) is such that the maximum amount of light refraction out of the top of the diamond is achieved. To be considered ideal, a diamond must also have superior symmetry and finished polish.

ISO ~ International Organization for Standardization, the Geneva, Switzerland-based worldwide federation of standards bodies. Certification of a business to one of the ISO quality or environmental standards is supervised by local registrars under terms authorized by the central body.

Kimberlite ~ A volatile-rich, potassic, ultrabasic rock which varies in mineralogical composition and texture. Kimberlite magmas originate at great depth in the earth's mantle and as they ascend rapidly to the surface they are often emplaced in vertical, carrot-shaped bodies known as pipes or thin (1–3 metres wide) tabular bodies known as dykes. Kimberlite deposits may or may not contain diamonds.

Mineable Reserves ~ A natural aggregate of one or more minerals that, at a specified time and place, under specified conditions, is estimated by experts to be mineable at a profit or from which some part may be profitably separated.

Mineral Resources ~ A natural aggregate of one or more minerals identified through exploration and sampling, for which a favourable study on economic exploitation has not been completed.

Sight ~ Invitation to purchase a certain amount of rough diamonds ten times a year from the De Beers' Diamond Trading Company in London.

corporate directory

BOARD OF DIRECTORS

James N. Fernandez [1,2,3]
Executive Vice President of Tiffany & Co. of New York.
Director since July 1999.

Robert A. Gannicott
President & Chief Executive Officer.
Director since June 1992.

John C. Lamacraft [1]
Chairman.
Director since February 1996.

Honourable Donald S. Macdonald, P.C., C.C. [1,2,3]
Corporate Director. Formerly Canada's Minister of Finance, Minister of Energy, Mines & Resources, Minister of National Defence, President of the Privy Council and High Commissioner of Canada to Britain.
Director since February 1999.

John H. Parker, O.C. [1,2,3]
Corporate Director. Formerly Commissioner of the Northwest Territories and Mayor of Yellowknife.
Director since December 1992.

J. Roger B. Phillimore [1,2]
Corporate Director.
Director since November 1994.

D. Grenville Thomas [3]
Corporate Director.
Honorary Chairman & Founder.
Director since July 1980.

Eira M. Thomas [1]
President, Navigator Exploration Corp.
Director since April 1998.

1 Audit Committee
2 Compensation Committee
3 Nominating & Corporate Governance Committee

TRANSFER AGENT & REGISTRAR

CIBC Mellon Trust Company
320 Bay Street, P.O. Box 1
Toronto, Ontario, Canada M5H 4A6

HEAD OFFICE

Aber Diamond Corporation
P.O. Box 4569, Station A
Toronto, Ontario, Canada M5W 4T9
TEL: 416.362.2237
FAX: 416.362.2230
E-MAIL: aber@aber.ca

www.aber.ca

SENIOR OFFICERS & MANAGEMENT

Robert A. Gannicott
President & Chief Executive Officer

Andrew B. Adams
Vice President & Chief Financial Officer

Michael A. Ballantyne
Vice President, Northwest Territories

Matthew L. Manson
Vice President, Marketing

S. Caroline Glasbey
Director, Investor Relations

Kevin P. Marchant
Technical Director

Schlomo Tidhar
Technical Director

Kaarina I.A. Venalainen
Controller

Lyle R. Hepburn
Corporate Secretary

ANNUAL MEETING OF SHAREHOLDERS

TSE Conference Centre and Stock Market Place
The Exchange Tower
130 King Street West
Toronto, Ontario, Canada
Thursday, June 27, 2002
4:00 p.m.

AUDITORS

KPMG LLP
Chartered Accountants
Suite 3300, Commerce Court West
Toronto, Ontario, Canada M5L 1B2

LEGAL

Stikeman Elliott
Barristers & Solicitors
Suite 5300, Commerce Court West
Toronto, Ontario, Canada M5L 1B9

STOCK EXCHANGES & SYMBOLS

Toronto Stock Exchange: ABZ
NASDAQ: ABER

Capitalization:*	
Authorized:	100,000,000
Issued:	54,584,320
Fully Diluted:	57,717,320

*As of March 28, 2002

Concept & design: The Works Design Communications Ltd. Principal photography: Brian Pieters Photography ~ cover & globe image: Matthew Plexman Printing: Somerset Graphics

www.aber.ca

P.O. BOX 4569, STATION A
TORONTO, ONTARIO, CANADA M5W 4T9
TEL: 416.362.2237 FAX: 416.362.2230